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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

18 March 1985
NIC #01371-85

MEMORANDUM FOR: Director of Central Intelligence

FROM: Charlie Allen
National Intelligence Officer for Narcotics

SUBJECT: International Flow of Drug Money

1. The following is in response to your question about the movement of drug money and the flow of these illicit funds through offshore banking centers.

2. Some \$5-\$15 billion in illegal drug money earned in the United States is moving into international financial channels each year. The bulk of these funds transit offshore financial centers in order to disguise the true owner of the money. A small proportion goes back directly to the country producing the drugs to pay the farmer or to return home some of the profits earned by drug smugglers.

3. The Caribbean Basin is the first stop for at least two thirds of the illegal drug dollars moving through international channels. For both foreign traffickers and US distributors, the Caribbean Basin has long been a natural money stop because of its proximity to the United States, the high levels of corruption, and the region's many financial centers with secrecy laws. Panama seems to be the major center. The Bahamas and the Cayman Islands also are important transit points while smaller amounts move through centers such as Antigua, Anquilla, St. Vincent and the Turks and Caicos. Most of the remaining one third or so of the laundered funds--mainly related to heroin movements--go through Western Europe (principally Switzerland), Hong Kong, and Mexico. In all centers, drug money accounts for a small share of the funds handled.

4. Those most directly involved in laundering illegal drug money abroad are a distinct breed who operate in the "gray" area of international finance--moving funds around government controls. Most have gained considerable experience in foreign countries where foreign exchange transactions are an extremely important element in the day-to-day operations of the economy. Government officials allow these financiers to operate in a rather open fashion because they and others with significant incomes are provided a means to move money abroad. In this environment, most gray-area financiers move money without making any judgment as to the source of the funds and consider

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their services essential and not particularly illegal. They also maintain utmost secrecy about their clients and tend to work with a few trusted individuals who often are close relatives. These credentials make drug traffickers and distributors eager to utilize their skills.

5. The most notable international movers of illegal drug money in recent years seem to be those associated with the exchange houses in Colombia and in other Spanish-speaking Caribbean Basin countries. Many are run by families who migrated to the region from Syria and Lebanon after World War II and who have considerable experience in discreetly moving funds in international channels. Family ties also are an important factor among the overseas Chinese who move money in East Asia. In the case of drug money moving within the producing country, the exchange houses also play an important role in Latin America. Within Italy, small regional and private banks are the key handlers of funds derived from distributing drugs.

6. Another important group involved in laundering drug money comprises lawyers, accountants, and other professionals who operate in financial havens. Their major role is to disguise funds and make them seem legal while that of the exchange house is to move funds from one country to another. These professionals maintain strict secrecy as well as providing an intermediary between the drug dealers and the commercial banks. Bank officials can more easily accept business from these professionals than from drug dealers directly. They can argue legitimately they do not know the source of the funds.

7. At one time or another drug money also passes through one or more of the global banks, Chase Manhattan, Citicorp, etc. This money is difficult to pinpoint as it accounts for such a small share of their total business and is often well disguised before it moves through the banks. By the time drug funds reach the large global banks, they are under the name of a trustee rather than the originator of the funds and have been commingled with a number of other accounts, often from legally derived funds. But in many foreign countries where these global banks operate, corruption and payoffs are a normal way of life. Local employees are accustomed to such dealings and therefore are highly susceptible to bribes by drug money launderers. Senior officials at home may know what is happening but sometimes overlook the situation because of the profits generated. They will clamp down on laundering drug money through their bank only when the publicity from such acts reaches the point of sullyng the bank's reputation and raising fears of reduced profits.


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